



Nacimiento Project Commission Notice of Meeting and Agenda

**Thursday, October 26 2006 – 4:00 pm
Templeton Community Services District Board Room
420 Crocker Street, Templeton CA**

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- I. Call to Order, Roll Call, and Flag Salute
 - II. Public Comment
This is the opportunity for members of the public to address the Commission on items that are not on the agenda, subject to a three minute time limit.
 - III. Meeting Notes from August 24, 2006
(RECOMMEND APPROVAL)
 - IV. COMMISSION INFORMATION ITEMS – written reports with brief verbal overview by staff or consultant. No action is required.
 - a. Project Management Report
 - b. Project Schedule
 - c. Project Budget
 - V. PRESENTATIONS – no action required.
 - a. Overview of Project Risk Factors
 - b. Total Project Cost Update
 - VI. COMMISSION ACTION ITEMS
(No Subsequent Board of Supervisors Action Required)
 - a. Timing of Construction Bids
 - b. Memorandum of Understanding Pertaining to Fiber Optic System
 - VII. COMMISSION ACTION ITEMS
(Board of Supervisors Action is Subsequently Required)
 - a. Award of Construction Management Contract
 - b. Prequalification of Intake and Specialty Drilling Contractors
 - VIII. FUTURE AGENDA ITEMS DESIRED BY COMMISSION

Commissioners

Harry Ovitt, Chair, SLO County
Flood Control & Water
Conservation District

Dave Romero, Vice Chair, City of
San Luis Obispo

David Brooks, Templeton CSD

Grigger Jones, Atascadero MWC

Frank Mecham, City of El Paso
de Robles

**Next Commission meeting scheduled for
Thursday, December 14, 2006, at 4:00 pm at
Templeton Community Services District offices.**

Nacimiento Project Commission
October 26, 2006
Agenda Item III – Meeting Notes from August 24, 2006

I. Call To Order, Roll Call and Flag Salute

Chairman Ovitt convened the meeting at 4:00 pm.

Commissioners Present: Chairman Harry Ovitt, SLO County Flood Control & Water Conservation District
Dave Romero, City of San Luis Obispo
Frank Mecham, City of el Paso de Robles
David Brooks, Templeton CSD
Grigger Jones, Atascadero MWC

II. Public Comment – (none)

III. Meeting Notes from June 22, 2006 Meeting

Commissioner Mecham moved approval of the June 22, 2006, meeting notes; Commissioner Jones seconded the motion. Commissioner Romero abstained from voting because he was absent from the June meeting; motion passed 4-0.

IV. Commission Information Items

John Hollenbeck delivered the project management report. Christine Halley's research on AB 2641 concluded that the bill prescribes actions that a landowner would be required to take if a burial ground were discovered on a private property. Existing law governs local agency requirements in this regard and the Nacimiento Project would be covered by existing law. Apparently AB 2641 does not apply. Commissioner Jones asked about the cost of archaeological monitoring and Christine said that while not yet identified as a separate line item, it is included in the \$1.8 million Environmental Monitoring line item budget. With regard to procurement of Native American monitors, Christine clarified that this will be addressed in the procurement of the environmental monitoring professional services. While AB 2641 pertains to Native American monitoring on private property, Chairman Ovitt suggested that AB 281¹ might pertain to monitoring of public works projects. Staff agreed to research. Christine Halley remarked that environmental monitors will be on-site during construction in known critical areas. In addition, construction crews will be trained to identify critical field issues such as archaeological artifacts, evidence of endangered species and critical habitat and will call for environmental monitors when such evidence is suspected or found. In other words, there will not be full-time monitors in place at all times throughout the 45 mile project corridor.

John Hollenbeck went on to state that recent information shared with him indicates that easement acquisition might lie on the critical path to construction, possibly delaying construction until Summer 2007. Commissioner Romero asked if we need to have all rights-of-way in hand before awarding construction contracts, and John Hollenbeck replied that this is the preferred sequence. Chairman Ovitt suggested that Proposition 90 addressing condemnation authority might influence our right-of-way proceedings. He will report further at the October 26, 2006, Commission meeting.

In a recent meeting with representatives of the Central Coast Water Authority and the State Dept. of Water Resources, the design team learned that the proposed Cuesta Tank site is likely to impact oaks

¹ This was actually SB 18 – Traditional Tribal Cultural Sites which staff later learned was passed and is now law.



planted as mitigation for the Coastal Branch project and that the Nacimiento Project may use one of the existing conduits in Cuesta Tunnel.

John Hollenbeck summarized discussions with Monterey County Water Resources Agency. Commissioner Mecham asked if there were opportunities to collaborate with MCWRA and John Hollenbeck said yes, perhaps in the area of hydropower usage or coordinated electrical and compressor design. MCWRA's lake operation will influence operation of the proposed intake pump station especially in light of lake levels which may vary up to 15 feet. Water World Resorts has filed suit against the MCWRA regarding maintenance of the North Shore access road. Commissioner Romero moved to write a letter to MCWRA suggesting collaboration on project design and operations in the areas of hydropower, electrical switchgear, and air compressors; Commissioner Brooks seconded the motion; passed unanimously.

V. Status of Construction Manager Procurement

John Hollenbeck was happy to report that the District received five statements of qualifications from construction management firms and that the review panel recommended inviting both Jacobs and HDR Engineering, Inc. to submit fee proposals. The Jacobs team was in attendance, expressing gratitude for making the "short list". Interviews are scheduled for September 29, 2006.

VI. Commission Action Items

John Hollenbeck described the proposed plans for concurrent construction of a gravity sewer line in North and South River Roads and reviewed the proposed payment responsibilities as outlined in the agenda packet. Commissioner Mecham moved to approve the staff recommendation; Commissioner Jones seconded the motion; passed unanimously.

Christine Halley described the approach to evaluating the easement acquisition line item budget, noting that the appraisal firm of Reeder, Gilman & Borgquist recommended a slightly higher budget than was recommended in 2002. Overall, an increased easement acquisition budget from \$2 million to \$2.5 million is recommended with an associated adjustment of the design phase reserve. Uncertainty remains about the cost of PG&E service and the final cost of design engineering, but overall John Hollenbeck shared his impression that we are proceeding within the design phase budget of \$18.9 million. There was general discussion about the level of construction phase contingency and reserve (now at \$23,838,500) and whether that may be adjusted as we near final design. Commissioner Jones moved to adjust the easement acquisition budget and to make the design phase reserve adjustment as recommended by staff; Commissioner Romero seconded the motion; passed unanimously.

Regarding the easement deed terms and conditions, John Hollenbeck explained the rights sought on private property for construction and ongoing maintenance of the pipeline and associated Project facilities. The staff report enumerates the rights sought for such easements. Commissioner Jones clarified that property owners could, for example, pasture and irrigate on the easement area and John Hollenbeck said yes, the intent is that property owners could continue to use the acreage in manners that do not interfere with the operations and maintenance of the proposed facilities. By contrast, the easements acquired on behalf of the State Water Project Coastal Branch were quite restrictive. John went on to report that the San Luis Obispo County Information Technology Dept. represented by Jim Grant intends to partner with the Nacimiento Project on the installation of fiber optic cables and will pay the incremental cost to do so. The IT Department's communication link would be limited to non-profit, public uses and a memorandum of understanding is envisioned to commemorate that arrangement. Commissioner Jones asked if Participants could use the Project's communication system and John replied that the system will be designed to send information to Participants for their use, but



that there is no plan to receive/transmit Participant signals to others. John Hollenbeck mentioned that the easement deed will also allow for disbursement of trench spoils across the easement area. Commissioner Jones moved to proceed with the easements rights pointed out in the staff report including disbursement of trench spoils; Commissioner Romero seconded the motion; passed unanimously.

VIII. Commission Action Items (Board of Supervisors Subsequent Action) – (none)

IX. Future Agenda Items Desired by Commission - (none)

Chairman Ovitt adjourned the meeting at 5:10 pm.

Submitted by Christine Halley



Nacimiento Project Commission
October 26, 2006
Agenda Item IV.a – Project Management Report
(Information Only – No Action Required)

PROJECT RESOURCES

Construction Management

Refer to Agenda Item VII.a for a recommendation regarding the award of the construction management contract.

Environmental Monitors

A team of environmental monitors (biologists, archaeologists, native Americans, etc.) will be employed during the construction phase to monitor compliance with various permit conditions and adopted environmental plans. A separate procurement for these services is planned, with the environmental monitoring contract to be assigned to the successful construction management team. A target date of January/February 2007 has been tentatively set for finalizing this resource procurement.

PROJECT ISSUES

Status of Financial Issues

The Project Finance Committee met on September 25, 2006, to review updated debt service projections for each Participant. There has been some discussion about the timing of the opt-out period relative to bond issuance and the Committee noted that the north pipeline bid package, together with the dam intake bid package, is anticipated to exceed the 30% cost trigger stated in Article 2 of the delivery entitlement contract and is anticipated to commence the 30-day opt-out period in mid June 2007. By the end of the 30-day period in mid July, the mid pipeline and south pipeline bids are anticipated to have been submitted, giving each of the participants known bid costs on approximately 76% of the project. Those Participants that choose to remain in the Project will continue with their pipeline obligation. In other words, bonds will not be sold prior to the opt-out period.

Public Financial Management and UBS presented various debt service projects with and without capitalized interest, and at both a level and an increasing debt service. The Committee advised that including capitalized interest would be the desired way to proceed. They also agreed that the base scenario from which the finance team will model various alternatives will initially include level debt service payments.

Upcoming financial planning activities will center on credit reviews of each Participant, beginning with Atascadero Mutual Water Company, and adjusting the anticipated project costs and debt service projections as the engineer's cost estimate is refined.

Owner Controlled Insurance Program

Traditionally, the Flood Control District requires each professional consultant to provide professional liability, general liability, worker's compensation, auto, and other insurance naming the District as an



additional insured on most policies. Construction contractors provide the same types of insurance (with the exception of professional liability) and again name the District, as well as the Designer and the Construction Manager, as additional insured. When a claim is made, the various parties' insurance representatives participate in investigating and settling the claim. The result is that the cost of providing the required insurance is reflected in professional fees and bid amounts and the claims investigation and settlement process involves many parties. This can become complex and time-consuming.

An alternative to this approach is to provide the insurance products for the Project itself, extending coverage to the District, the construction management team, the designers, and the construction contractors, and others involved in the Project. Such a Project policy is known as an Owner Controlled Insurance Program, or OCIP. An OCIP merges the insurance coverage into one policy, rather than each party acquiring separate insurance.

The advantages of an OCIP include having one insurance carrier and one legal firm handling any lawsuits, providing everyone involved in the construction project with a stronger case. All documentation, paperwork, etc. is held by a single company which can be less chaotic. With only one carrier, the insurance company is less prone to prolonging the case since they cannot share the costs with other insurance companies involved, and all claims go through a principal insurance carrier.

Additionally, the Owner knows what coverage all key players have within the construction project and can choose to have only specific coverage (i.e. worker's compensation, builder's risk, etc.) or full coverage. The coverage lasts through entire life of project and is available through a completed operations period. Under an OCIP approach, the Owner has control over decision-making and creates consistency in claim settlement. In general, this approach lowers insurance costs to the Project, and fault disputes are settled in less time. Potential savings that have been identified to the Project Manager are on the order of two-percent of the construction value.

The disadvantages of an OCIP are that putting one in place can be time-consuming during early stages of implementation of OCIP (which is why we are discussing this now for the Nacimiento Project), and there are administrative costs/time brought on by paperwork for OCIP. Questions may arise as to whether there would be more work done under OCIP as opposed to the contractor's own insurance. The broker that manages the District's other insurance products has indicated they could conduct the management of the OCIP on behalf of the District, thus not requiring additional internal project resources for the Project. Another disadvantage is that OCIPs typically have a large deductible.

Discussions with your Technical Support Group indicate an interest in an OCIP for the Project, however Participants have limited experience with such programs. At this point, it appears like an attractive option for a project of this scale and may indicate to the construction community that the District is a savvy agency, putting in place a program to equitably share the risks involved in the construction of the Nacimiento Project.

The Project Manager is discussing the concept with District legal counsel and risk management staff to get their point of view now, and plans to host an informational workshop with an OCIP expert to further research applicability for this Project.

County Lobbyist

The County has hired a federal lobby firm, The Ferguson Group based in Washington, D.C., for a few months on a trial basis. The Public Works Dept. included the Nacimiento Water Project in their list of projects for which The Ferguson Group will seek grant possibilities. The Project Manager is to submit information pertaining to the Project to the lobbyist and coordinate with them as-needed. Costs of the lobbying efforts are fully funded by the County General Fund.

Status of Project Delivery Team Activities

Right of way – At the August 2006 Commission meeting, a revised easement acquisition budget was approved along with the Easement Deed language. Much team effort is being directed toward having easements/orders of possession prior to bidding in early March 2007. As Black & Veatch finalizes the pipeline alignment and facility locations, easement needs are submitted to the Project surveyor, Cannon Associates. Cannon generates legal descriptions which are in turn submitted along with title reports to the Project appraisers through Hamner-Jewell. The right-of-way team is now in the process of making formal offers. The summary of the acquisition effort to-date is presented in the following table.

Number of Identified Parcels	Completed Legal Descriptions	Appraisals Ordered	Appraisals Complete
54 (47 private + other)	27	22	16

Several easement acquisitions are complex and will involve longer lead-time. The approach to these more complex acquisitions is:

MCWRA – Our proposed valuation approach is to determine the extent of property needed in support of the Nacimiento Water Project, consider valuation in terms of both the property owner (MCWRA) and the leaseholder (Monterey County and the subleasee Water World Resorts) and submit the offer to MCWRA with a copy to the leaseholder parties in December of this year. This should allow sufficient time to conduct public hearings, if necessary, to complete the purchase.

Camp Roberts – Along with the NEPA process that is now underway, the team is concurrently proceeding with the Report of Availability and in recent dialogue with Bill Casale, we learned that the appraisal branch will proceed with Camp Roberts appraisals as soon as legal descriptions are ready. Cannon Associates is underway with this legal description now so that this work can proceed in advance of a final Report of Availability.

State DWR/CCWA – At the July 14, 2006, meeting with State Dept. of Water Resources and Central Coast Water Authority representatives, it was suggested that the Cuesta Tunnel agreement (“Agreement Between the Department of Water Resources, State of California, and the San Luis Obispo County Flood Control & Water Conservation District for Facilities in and Around Cuesta Tunnel in Conjunction with Construction of the Coastal Branch Phase II of the California Aqueduct”) dated April 5, 1994, be amended to allow for use of the existing communications conduit. That same



agreement may be amended to allow for the requested pipeline and Cuesta Tank easements. This approach to easement acquisition is under review now.

Other Acquisitions – We must acquire easements from both California Polytechnic State University south of Cuesta Tunnel and from the US government as we cross through the Army Corp’s Santa Margarita Booster Station. We are working with Matthew Roberts, Director of Contract and Procurement Services at Cal Poly who recently requested a meeting to discuss the acquisition process and schedule. Property ownership and the Flood Control District’s existing rights at the Santa Margarita Booster Station are being researched now. Bill Casale put us in contact with the Los Angeles District federal lands office to initiate that acquisition process.

The level of cooperation with private property owners remains good overall, however it is likely that not all offers will be readily accepted. In order to have orders of possession in hand by early March 2007, a hearing of necessity will need to occur by January 2007. The Board of Supervisors is to hold this hearing; a legal step in the condemnation process should that become necessary. The Commission and the TSG will be briefed on these matters for informational purposes and no action by the Commission is expected.

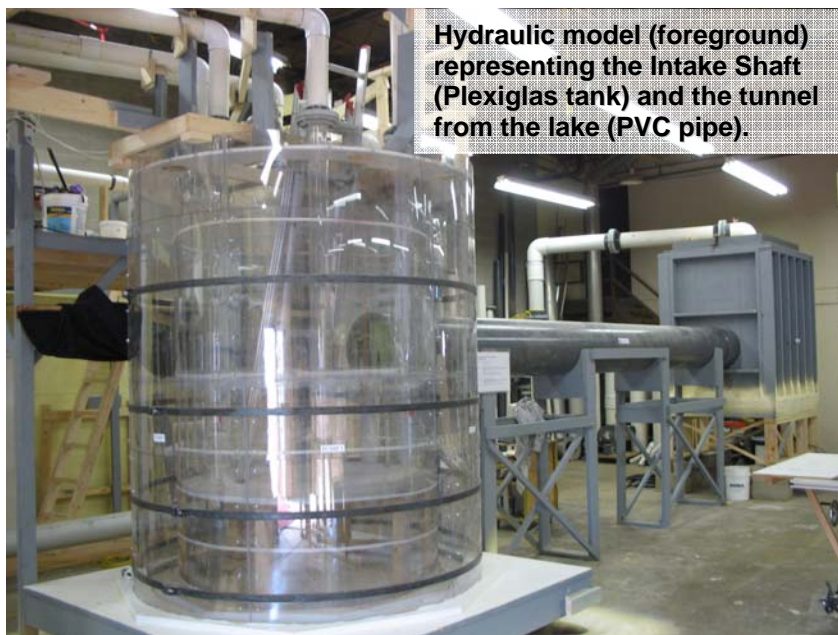
Environmental Permitting – In August, we reported that a NEPA document was required for the Project. Chairman Ovitt followed up with a letter to Congressman Thomas urging priority in processing the NEPA paperwork. The California Army National Guard and Camp Roberts staff submitted comments on the draft Environmental Assessment on September 27, 2006, advancing the Project NEPA compliance. ESA and County staff are replying now, still hopeful that the EA will be ready for its first 45-day public review cycle as early as this month.

During a September 7, 2006, meeting with National Marine Fisheries staff, NMFS expressed interest in community general plans and the broader impact of such growth on fishery resources. Mark Hutchinson replied with a letter documenting countywide growth ordinances and policies relating to fishery resources and watershed protection, a reply that has been deemed generally responsive to their concern.

Recent discussion with the Regional Water Quality Control Board was prompted by anticipated dewatering issues associated with the intake pump station construction. RWQCB staff advises that such issues be addressed in the Project’s Storm Water Pollution Prevention Plan, a Plan that typically is prepared by the construction contractor. If we make the contractors responsible for SWPPP preparation, the extent of water handling issues at the intake will not be known at the time of bidding, leading to either a high bid item to cover a wide range of possible requirements or a contractor claim during construction. Another more orderly approach may be to prepare the basic framework for the SWPPP now and include the Draft Plan in the bid documents. This would also provide uniformity among all five construction bid packages. ESA is preparing a proposal to assemble the Project SWPPP now.

ESA is to submit a revised draft environmental addendum for County review, once the biology section is complete.

After considerable delay, the final stream permit for geotechnical work in the Salinas River was issued and the work completed prior to October 1, 2006.



Hydraulic model (foreground) representing the Intake Shaft (Plexiglas tank) and the tunnel from the lake (PVC pipe).



Witness test participants (Left to Right): Tom Demlow (nhc), Paul Kneitz (B&V), Keane Sommers (nhc), John Hollenbeck (District), Darren Sheperd (nhc), Ted Stolinski (B&V), and Dr. Salem Bouhairie (nhc).

Attention is shifting to securing construction water, particularly for pump station testing and pipeline hydraulic testing. A conference call on this topic was held on October 16, 2006, with initial indications from Participants on construction water availability. Black & Veatch is also preparing environmental exhibits for the design that illustrate permit conditions, limits of established wetlands, riparian corridors, oak woodlands, known archaeological deposits, and other sensitive

Design Engineering – Black & Veatch submitted the final Preliminary Design Report, 50% pipeline and facility design submittals, draft technical specifications, and draft front-end contract documents. They also submitted an updated engineer's opinion of probable cost (Agenda Item V.b).

In September, Paul Kneitz and Ted Stolinski of Black & Veatch accompanied the Project Manager to Northwest Hydraulic Consultant's facilities to witness the intake pump station hydraulic model testing. The one-third scale hydraulic model lead to the following design improvements; 1) confirmation of the shaft diameter and; 2) the addition of a "basket diffuser" on each pump suction bell to eliminate subsurface vortexing and swirling action within the pump column. A third assessment of the configuration of the intake tunnel is undergoing testing this month with the final report due in November 2006. The photos were taken during the witness testing.



Basket diffuser on pump suction bell.

areas along the Project corridor. They are intended to alert the construction contractor to specific areas where special construction techniques or timing restrictions apply.

Designers continue to finalize facility alignments affecting private properties and surveyors at Cannon Associates are completing legal descriptions for the appraisers' use.

The design phase geotechnical fieldwork is complete and report preparation is underway. Several draft Geotechnical Data Reports (a compilation of the subsurface data collected and the laboratory testing results) and Geotechnical Interpretative Reports (summarizing the engineering parameters to utilize in the design) have been completed for the intake, the pipeline, and the facilities (tanks and pump stations). Black & Veatch is reviewing and providing comments to this data. An amendment was authorized for Black & Veatch to prepare a Geotechnical Baseline Report for the intake. The "GBR" provides engineering documentation specifically describing the assumptions and parameters utilized in the design that Black & Veatch presents in the construction documents for the intake. The benefit received is that the contractors have a specific basis for their assumptions in planning the means and methods of their construction, and our expectations are that their bidding will include a reduced level of contingency.

Outside Agency Issues

PG&E Coordination. Team members met with PG&E on September 13, 2006 and confirmed that intake pump station power supply is coming from the existing San Ardo substation and that no supply system upgrades are necessary. The service drop will come from the existing PG&E pole line in Lake Nacimiento Road and the road crossing to the meter may be funded by PG&E at no capital cost to the Project. The electrical system in the lake area is far from the San Ardo substation, and PG&E will mandate a limit on the electrical power draw (called "in-rush") caused by our pump motors starting up. To overcome this limitation, each pump will now be started using a variable frequency drive which starts the motors more slowly utilizing little power during the starting sequence.

Heritage Ranch "load shedding" is necessary to meet the demands of the proposed intake pump station off of the San Ardo circuitry. This involves running a pole line across private properties off of Chimney Rock Road. PG&E's engineering and easement acquisition is underway for this proposed pole line, however, no firm timeline has been promised.

We confirmed with PG&E that we will need full power service in time for system start-up (planned for 2009). It is important that the Heritage Ranch load shedding be in place prior to that date, otherwise restrictions on power draw may remain in effect at the intake pump station.

PG&E has yet to complete their Savings by Design assessment for the Project or to respond to John Hollenbeck's March 31, 2006, letter, especially in terms of likely costs to extend power to the Project.

Monterey County Water Resources Agency. There has been no new dialogue with MCWRA since the Commission's August meeting. The next staff conference call is planned for October 20, 2006. At the August 24, 2006, Commission meeting, your Commission asked that the attached letter from the Commission to the MCWRA Board of Directors be submitted.

Camp Roberts. Progress on the Report of Availability (necessary to formalize the easement across Camp Roberts) is held up until the NEPA determination is secured.

* * *





NWP NACIMIENTO WATER PROJECT

San Luis Obispo County Flood Control & Water Conservation District

San Luis Obispo County FC&WCD

John R. Hollenbeck, P.E.
Nacimiento Project Manager

Commissioners

Harry Ovitt, SLO County FC&WCD
Frank Mecham, City of Paso Robles
David Brooks, Templeton CSD
Grigger Jones, Atascadero MWC
Dave Romero, City of San Luis Obispo

October 13, 2006

Mr. Richard Morgantini
Monterey County Water Resources Agency Board of Directors
P.O. Box 930
Salinas CA 93901

Subject: Construction of Nacimiento Water Project and Salinas Valley Water Project

Dear Mr. Morgantini:

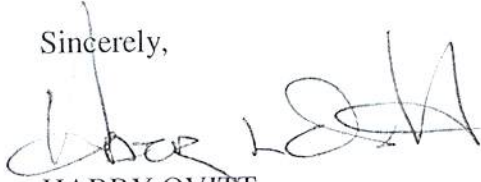
Our two projects, the Nacimiento Water Project and the Salinas Valley Water Project, are nearing the ultimate milestone of construction. At the August 24, 2006, Nacimiento Commission meeting, our staff gave us a briefing on the coordination between our two agencies.

On behalf of the Commission, I wanted to write to re-affirm our desire to cooperatively work together on several issues:

- The completion of negotiations on an Amendment to the 1959 Agreement, which provides for our proposed intake within the lake, and execution of the amendment by fall this year.
- Continue working together to find a beneficial use of the power generation from your hydro-electric project as you move forward with re-licensing.
- Continue working together to find ways for the infrastructure of our two projects to be integrated where such integration is mutually beneficial to both agencies.
- To work cooperatively in the property right negotiations associated with our project.

It would be very beneficial to conduct another meeting of elected officials to continue with this cooperation. I will have my staff contact your staff to coordinate a convenient time to meet in King City to discuss these issues further.

Sincerely,



HARRY OVIT

Nacimiento Project Commission Chair and
San Luis Obispo County Supervisor 1st District

c: Nacimiento Commissioners
Noel King, Director of Public Works
John R. Hollenbeck, Nacimiento Project Manager
Curtis Weeks, MCWRA General Manager

File: NWP File No. E.5.1

Nacimiento Project Commission
October 26, 2006
Agenda Item IV.b – Project Schedule
(Information Only – No Action Required)

Attached is the Project schedule depicting progress toward final design. Black & Veatch is on schedule to deliver the 90% submittal in early November 2006 and, as noted throughout this agenda packet, the team directs much effort toward achieving the early March 2007 bid-ready date.





Nacimientto Water Project San Luis Obispo County Flood Control and Water Conservation District Project Schedule - Final Design

Final Design Schedule Revision: 1.6
Date: September 12, 2006
B&V File C.2.1

ID	Task Name	% Comp.	2005			2006				2007		
			Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
1	District Notice to Proceed	0%	7/21 District Notice to Proceed									
2	1 - Project Management	29%	1 - Project Ma									
46	2 - Project Coordination	57%	2 - Project Co									
208	3 - Project Controls - Cost & Schedule Management	72%	3 - Project Co									
308	4 - Preliminary Design Phase	88%	4 - Preliminary Design Phase									
309	4.1 - System Engineering	100%	4.1 - System Engineering									
378	4.2 - Baseline Engineering	72%	4.2 - Baseline Engineering									
435	4.3 - Intake Pump Station Preliminary Design	85%	4.3 - Intake Pump Station Preliminary Design									
454	4.4 - Pump Station Preliminary Design	90%	4.4 - Pump Station Preliminary Design									
462	4.5 - Tanks Preliminary Design	100%	4.5 - Tanks Preliminary Design									
473	4.6 - Turnout Preliminary Design	100%	4.6 - Turnout Preliminary Design									
477	4.7 - Pipeline Preliminary Design	100%	4.7 - Pipeline Preliminary Design									
490	4.8 - SCADA System Preliminary Design	100%	4.8 - SCADA System Preliminary Design									
494	4.9 - Civil Design & Access Roads	100%	4.9 - Civil Design & Access Roads									
497	4.10 - EIR/EIS Mitigation Measures & Permit Requirements	100%	4.10 - EIR/EIS Mitigation Measures & Permit Requirements									
498	4.11 - Preliminary Design Report (PDR)	100%	4.11 - Preliminary Design Report (PDR)									
504	4.12 - QC Review of PDR & 30% Drawings & Revisions	100%	4.12 - QC Review of PDR & 30% Drawings & Revisions									
505	4.13 - Value Engineering Review of the PDR + Responses (TM 13)	100%	4.13 - Value Engineering Review of the PDR + Responses (TM 13)									
512	5 - Final Design - 4 Bid Packages ("X")	66%	5 - Final Design - 4 Bid Packa									
513	5.1 - 50% Design Submittal (Pipeline)	100%	5.1 - 50% Design Submittal (Pipeline)									
518	5.1 - 50% Design Submittal (Intake + Facilities)	98%	5.1 - 50% Design Submittal (Intake + Facilities)									
526	5.2 - 90% Design Submittal (Pipeline)	48%	5.2 - 90% Design Submittal (Pipeline)									
530	5.2 - 90% Design Submittal (Intake + Facilities)	18%	5.2 - 90% Design Submittal (Intake									
542	5.3 - 100% 'Camera Ready' Design Submittal	0%	5.3 - 100% 'Camera Ready' De									
543	Prepare Camera-Ready Documents	0%	Prepare Camera-Ready Docum									
544	Submit Camera-Ready Documents	0%	3/5 Submit Camera-Ready Docum									
545	5.4 Development of Front End Contract Documents	50%	5.4 Development of Front End Contract Document									
546	Prepare and Submit Draft with 50% Design	100%	Prepare and Submit Draft with 50% Design									
547	Prepare and Submit Draft with 90% Design	0%	Prepare and Submit Draft with 90% Design									
548	6 - Bidding Phase & Award (See Construction Schedul	0%	6 -									
549	7 - Construction Phase (See Construction Schedule)	0%	7 -									

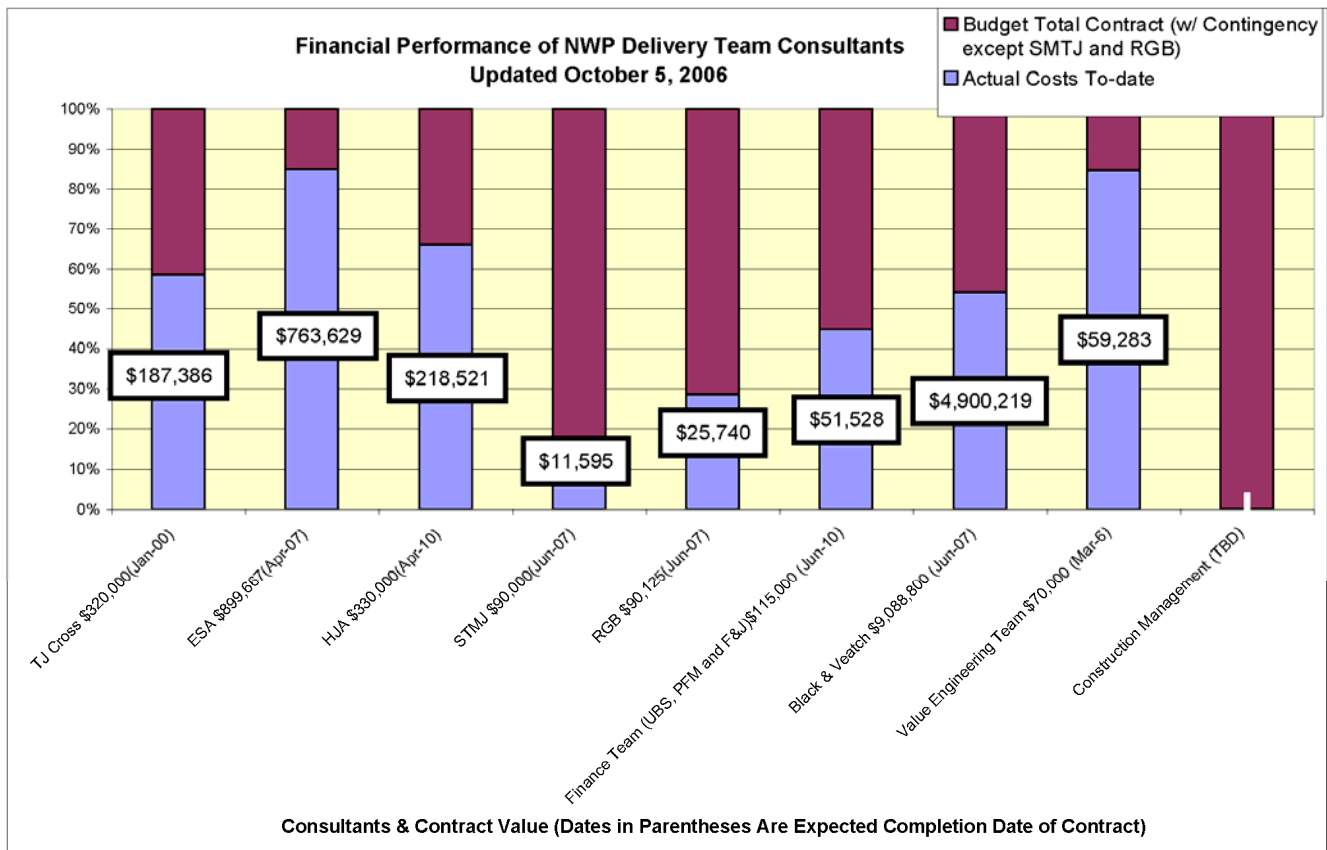
Task Critical Task Progress Milestone Summary

Nacimientto Project Commission
October 26, 2006
Agenda Item IV.c – Project Budget
(Information Only – No Action Required)

Attached is the Project Budget Reporting for the period ending September 30, 2006. Note that there are changes in this version of the report which will be discussed herein. The project team generates more accurate cost estimates with each milestone delivery as the design progresses and as Project support issues such as PG&E coordination, easement appraisals, and construction management services take shape. The Project Manger would like to notify the Commission that the December budget report will have several of these refinements presented as described below.

Design Phase Budget

The revised Property Acquisition line item budget in the Design Phase as adopted by the Commission at the August 24, 2006, meeting has been changed to reflect the \$2.5 million budget. The Project Manager forecasts that Design Phase activities will remain within the \$18.9 million budget (initial evaluation is that we may complete the Design Phase below the budget). This budget for this phase of the Project will be refined in more detail at the December Commission meeting. The histogram below identifies the performance of the consultants working on the Design Phase.



Construction Phase Budget

Until recently, the majority focus of the Project has been on the Design Phase related activities, but now the focus is going to start to shift to the Construction Phase. The Construction Management selection (Agenda Item VII.a) crosses into both phases of the job. Beginning with this Commission report, the Project Management Report on budgets will address both phases of the Project.

Black & Veatch will make a presentation on the current estimate of construction costs (Agenda Item V.b). Black & Veatch forecasts the construction cost will exceed the assigned budget, mainly because of sharply inflating construction and materials costs. This message is consistent with previous reports given to your Commission.

The B&V construction cost estimate contains a design related contingency, and the Budget Report contains a Construction Phase Contingency and Reserve. Previous reporting to your Commission identified these two contingencies as the same element of the estimate, whereas they are truly separate.

The “Contingency and Reserve” value listed in the Budget Report is a District-controlled contingency that include change order management costs, as well as other unaccounted for costs (e.g., Black & Veatch’s post-design related costs). This budget line item will be further segregated and reported to you at the December Commission meeting.

The design related contingency is an approximation of the construction costs that is attributed to unknowns in the Project as the design progresses. Black & Veatch will be making significant refinement to this contingency at the 90-percent design cost estimate. Currently they are accounting for a nominal 25-percent estimate of the construction value.

Refinements that likely will be made to the Budget Report for the December Commission Meeting include:

- Updating the projected costs for the Construction Management services for both the Design and Construction Phase.
- Refining the environmental mitigation costs, which is currently estimated as a percentage of the construction value.
- Including the post-design phase services for Black & Veatch as a defined line item within the construction related professional services.
- Showing the construction contracts subdivided into the five bid packages, and present engineer’s opinion of probable construction cost for each based on the 90-percent design. The design related contingency of each bid package will also be presented separately.
- Segregate the Construction Phase Contingency and Reserve into the individual sub-elements (e.g., change order management budget)
- Segregate the Project Management line item into the individual sub-elements (e.g., Project Manager’s budget)



**Nacimiento Water Project
Project Budget Reporting
Report Ending Period: 9/30/06**

	Initial Budget	Revised Budget as Approved August 2006	Cost to Date thru 09/30/06	Remaining Budget	Projected Total Cost as of 12/20/05	Projected Variance (Budget Vs. Cost)	Comments
Design Phase Anticipated Costs							
Project Management	\$1,250,000	\$1,875,000	1,337,647	\$537,353	\$1,875,000	\$0	Includes County Project Manager, VE, support staff, consultant support, and legal fees.
Environmental	\$800,000	\$899,667	752,611	\$147,056	\$899,667	\$0	ESA-Includes design assistance, permit applications, agency coordination.
PG&E Service Extension	\$1,100,000	\$1,100,000	5,170	\$1,094,830	\$1,100,000	\$0	Initial estimate to extend power to proposed facilities
Right of Way Consulting Services	\$500,000	\$635,000	276,819	\$358,181	\$635,000	\$0	Hamner-Jewell contract plus allowance for appraisal and title reports by others
Property Acquisition	\$2,000,000	\$2,500,000	25,480	\$2,474,520	\$2,500,000	\$0	
Construction Mgt/Constructability Review	\$2,000,000	\$2,000,000		\$2,000,000	\$2,000,000	\$0	Initial CM services authorization
Engineering Design (Includes geotechnical & survey)	\$10,250,000	\$9,088,800	3,973,724	\$5,115,076	\$9,088,800	\$0	Black and Veatch Corporation
Finance	\$0	\$115,000		\$115,000	\$115,000	\$0	PFM, UBS, and Fulbright&Jaworski
					Total Variance=	\$0	
Design Phase Budget Reserve	\$1,000,000	\$686,533		\$686,533	\$686,533		
SUMMARY - DESIGN PHASE	\$18,900,000	\$18,900,000	6,371,450	\$12,528,550	\$18,900,000		
Construction Phase Anticipated Costs							
Project Management	\$2,325,000	\$2,712,500		\$2,712,500	\$2,712,500	\$0	2/05-extended +4 months
Environmental Mitigation	\$3,700,000	\$3,720,000		\$3,720,000	\$3,720,000	\$0	Contingency item (estimated as approximately 4% of construction cost) for pipeline realignment, special construction techniques, and other costs incurred due to unforeseen environmental issues
Materials Testing	\$300,000	\$300,000		\$300,000	\$300,000	\$0	
Construction Management	\$4,200,000	\$4,185,000		\$4,185,000	\$4,185,000	\$0	Est. at 4.5% of construction cost, inc design phase work
Environmental Monitoring	\$1,800,000	\$1,800,000		\$1,800,000	\$1,800,000	\$0	Includes cost for cultural and biological monitors during construction
Construction Contracts	\$93,000,000	\$93,000,000		\$93,000,000	\$93,000,000	\$0	
Construction Phase Contingency and Reserve	\$24,231,000	\$23,838,500		\$23,838,500	\$23,838,500	\$0	
SUMMARY - CONST. PHASE	\$129,556,000	\$129,556,000	0	\$129,556,000	\$129,556,000	\$0	
Prior Expenses							
Advance Expenditures	\$513,000	\$513,000		\$513,000	\$513,000	\$0	
Cuesta Tunnel	\$1,031,000	\$1,031,000		\$1,031,000	\$1,031,000	\$0	Includes construction of Nacimiento Water Project pipeline section through Cuesta Tunnel
				\$0	\$0	\$0	
TOTAL PROJECT*	\$150,000,000	\$150,000,000	6,371,450	\$143,628,550	\$150,000,000	\$0	

* Rounded to \$100k

Memorandum(s):

Positive Projected Variance indicates costs are under the revised line item budget.

Recent Update: 10/10/06

Nacimiento Project Commission
October 26, 2006
Agenda Item V.a – Overview of Project Risk Factors
(Presentation - No Action Required)

TO: Nacimiento Project Commission

FROM: John R. Hollenbeck, PE, Nacimiento Project Manager

VIA: Noel King, Director, Department of Public Works

DATE: October 26, 2006

The latest (50%) construction schedule shows the five proposed contracts bidding over a seven-week period beginning in mid-May 2007. Many Project elements must stay on track in order to adhere to this bidding schedule. At the August 24, 2006, Commission meeting, John Hollenbeck expressed some concern about the timing of right-of-way acquisition and other critical Project activities. Here are some of the scheduling risk factors that we are tracking in this regard:

Rights-of-Way – At this point, more than 50% of the legal descriptions affecting private properties have been requested from the surveyors. These are being submitted to the appraisers for valuation and the first sets of appraisals are now in hand. At this pace, it appears that the 47 smaller, private property offers will be submitted by Thanksgiving 2006 provided that the appraisers adhere to their 4-6 week turn-around for appraisals. So far, response time has been good. Having made all offers and setting a hearing of necessity with the Board of Supervisors are key to obtaining orders of possession in time for bidding.

Of greater concern are the more complex acquisitions mentioned in the Project Manager's report. The timing of the Camp Roberts and State DWR acquisitions depends upon response from federal and state agencies. The MCWRA acquisition will involve other parties that have a track record of lawsuits. We will regularly report on the progress of these more involved acquisitions and seek Participant outreach to our federal and state partners as-needed.

Design Progress – Completion of the design itself is another scheduling risk factor to take into account. Black & Veatch has proceeded past the 50% progress point and is on schedule at this point. However, internal quality control reviews and construction management constructability reviews (scheduled for November 2006) have yet to occur and the extent of their recommendations is unknown. Quality control checking of the base mapping itself regarding in-place facilities (signs, utility poles and utility lines, trees, culverts, curbs, manholes, etc.) and underground utilities may reveal the need for additional fieldwork prior to bidding.

PG&E Service– Repeated inquiries to PG&E failed to result in a firm service planning approach let alone a cost and schedule for service extension. The plan for power extension has changed radically since early discussions with PG&E, with full service to

the Project now hinging on a plan to “load shed” Heritage Ranch to another substation at no direct cost to the Project. The good news is that the prior plan for millions of dollars of power extension is no longer under consideration, but PG&E gives little assurances about the timing of full power availability.

Permits – Dialogue with regulators continues to go well although we are seeing the first delays in response out of the State Dept. of Fish & Game and some backtracking from the National Guard Bureau in Washington. District response to the National Marine Fisheries Service recent far-reaching comments seems to have settled the matter for now. It will be important to align the construction contract documents with the permit conditions so that contractors are certain about their role in permit compliance and how each is compensated. Merely attaching the permits to the construction documents will not suffice, especially as we seek to attract as many qualified bidders as possible by being fair-minded in risk allocation. Our approach to minimizing the schedule risk associated with permitting is to sustain dialogue with regulators, to provide prompt response to their requests, and to have permits in hand and will have included compliance terms in the design documents.

Construction Risks - Of the five bid packages being developed for the Project, the intake construction (Specification No. 1) poses the most significant risks relative to construction because much of the work is underground and also under the lake surface. A Geotechnical Baseline Report is being prepared to help mitigate the risk factors for the underground work by clearly establishing the engineering parameters the contractor can use in bidding of the work. The continued risk of unforeseen underground conditions does not go away with the creation of the Geotechnical Baseline Report, but instead the report allows the contractor to establish a fair and equitable baseline for this bidding.

Another way to mitigate risk is to establish minimum qualifications of contractors eligible to bid the intake construction. Prequalification is discussed under Agenda Item VII.b.

These risk factors continue to garner staff attention, but admittedly these are categorized as risk factors because of their nature, namely that they contain elements that extend beyond the control of the Project team.

Nacimiento Project Commission
October 26, 2006
Agenda Item V.b – Total Project Cost Update
(Presentation - No Action Required)

TO: Nacimiento Project Commission

FROM: John R. Hollenbeck, PE, Nacimiento Project Manager

VIA: Noel King, Director, Department of Public Works

DATE: October 26, 2006

Black & Veatch will make a presentation on the current estimate of total project costs. Black & Veatch submitted the 50% opinion of probable construction cost on September 6, 2006. The table inset below provides a summary of the overall Project costs based on their 50% design assessment of the construction costs. The current assessment accounts for the design implementation of the Value Engineering components identified in the April 4, 2006, workshop. Several other design considerations have been incorporated, including:

- Relocation of turnouts
- Primary voltage from PG&E
- Downsizing of the Santa Ysabel Pump Station based revised hydraulic computations.
- Relocated pipelines within Templeton and Sandoval Roads.
- Intake underground work associated with ground support.

Item	Value
Design Phase Services Cost	\$18.9M
Construction Phase Services Costs	\$12.7M
Previous Expenditures	\$1.5M
Construction Cost Estimate (with contingency) @ 50% Design (06/2008\$)	\$137.7M
Nacimiento Project Cost @ 50% Design (06/2008\$)	\$170.8M
Nacimiento Project Budget (06/2008\$)	\$150.0M
Nominal Amount Over Budget (rounded up)	\$21M

On November 9, 2006, Black & Veatch will issue another refinement of their opinion of probable cost based on the 90% design submittal. The construction manager will conduct an independent review of that estimate, lending more certainty in our Project budgeting. Along with this step, we now have in hand fee proposals for construction phase services from both the construction manager and the designer and will soon invite fee proposals for environmental monitoring.



Nacimiento Project Commission
October 26, 2006
Agenda Item VI.a – Timing of Construction Bids
(Commission Action Item – No Subsequent Board of Supervisor Action)

TO: Nacimiento Project Commission

FROM: John R. Hollenbeck, PE, Nacimiento Project Manager

VIA: Noel King, Director, Department of Public Works

DATE: October 26, 2006

Recommendation

Approve a bidding strategy such that the intake construction is bid first, followed in rapid sequence by the three pipeline bids with the facilities (pumps, tanks, and controls) bidding last. Bid openings would occur over a 7-week period such that we would have two of the major bids in hand prior to entering into the opt-out period, with bid results from two of the remaining contracts before the end of the opt-out period. Contractors would be asked to hold their prices firm until the planned notices to award/proceed process which follows the 30-day opt-out period. This strategy would also allow significant amount of bid values (approximately 75-percent) to be known during the opt-out period, and the portion unknown is what the design firm is best at estimating their opinion of probable construction costs. The sale of the bonds will be accomplished once all bids are received.

Discussion

The Article 2 of the Delivery Entitlement Contracts, commonly referred to as the “opt-out clause”, says that once we have bids in hand representing no less than 30-percent of the estimated construction cost, that a sound estimate of total Project costs shall be prepared. Each Participant then has 30 days from receipt of that total Project cost estimate to conduct their internal business assessment of the Project and notify the District should they desire to opt-out (note that no formal notification is necessary if a Participant desires to stay in the Project). Construction contracts may only be awarded after the opt-out date.

The project team considered bidding the Project as a single construction contract and advised, with your Technical Support Group’s concurrence at the June 2005 meeting, to bid the Project under multiple bid packages. The bid packages under preparation now are:

Specification No.	Units Covered	Description	Approx. Value as of 30% Estimate (June 2008\$)
300187.08-01	A	Intake Underground Work	\$16.3M
300187.08-02	A, A1, B, F1, F2, G2, T2,	Pump Stas, Tanks, Communications,	\$38.5M



Specification No.	Units Covered	Description	Approx. Value as of 30% Estimate (June 2008\$)
	T4, T6, T11	SCADA	
300187.08-03	A, A1, C, C1	Pipeline	\$50.0M
300187.08-04	D, E, F	Pipeline	\$25.6M
300187.08-05	G, G1, H1	Pipeline	\$19.6M

The timing and sequence of the various bid openings has been the topic of discussion with both your Technical Support Group and Finance Committee with considerations voiced ranging from positioning for favorable construction bids, to opt-out clause compliance and possible impacts on bond issuance.

After taking all these items into consideration, the recommended bidding strategy is to bid the intake construction first, followed in rapid sequence by the three pipeline bids with the facilities (pumps, tanks, and controls) bidding last. We would have bids for Specification Nos. 1 and 3 in hand (representing about 45-percent of the total construction value) to initiate the opt-out period, with bid results for Specifications 4 and 5 coming in before the end of the opt-out period. In this way, we would have bids representing about three-fourths of the construction value of the Project at the time that Participants would be taking action in accordance with the opt-out clause.

Contractors would be asked to hold their prices firm until the planned notices to proceed which would follow the 30-day opt-out period. This strategy would also allow us to have all bids in hand prior to the sale of bonds.

The positive impacts of this bidding strategy would be having three-fourths of the actual bid results in hand prior to taking formal action during the opt-out period while staggering bid dates such that contractors and suppliers could “sharpen their pencils” as apparent low bids surface. This timing of bids seems to satisfy the market concerns of the engineers and contractors while bringing more certainty at the time of bond sale.

The disadvantages of this bidding strategy include a compressed workload on the County Clerk’s Office, Purchasing Dept., and Public Works Dept. staff that hold responsibility for advertisement, hosting bid openings, and making bids available for inspection. Further, the schedule is tight, allowing little float in the event that a bid opening must be delayed or is protested.

Given the foreseeable positive impacts and possible disadvantages, it is the Project Manager’s recommendation that we proceed with the timing of bids as described above. Consultant services will be an integral part of the County staff with the compressed workload associated with Nacimiento bidding.

The Commission should recognize that even if you approve of this bidding strategy, events might occur that would force a delay in bidding one or more contracts. These were touched upon in Agenda Item V.a – Overview of Project Risk Factors and include late permits, easement acquisition delays, or bid protests. Recognize that such events may cause the team to revert to satisfying the opt-out phase with more than the 30-percent construction value but less than the predicted 75-percent described above. The Participants’ Finance Committee representatives

have alerted the Project Manager of the political challenges with proceeding forward through the opt-out step with only 30-percent of the bids in hand, therefore, this would only be done in dialogue with Participants closer to the time of bids. Furthermore, the Public Works Director has advised that he cannot recall any recent bidding conducted within the Department that resulted in a re-bid of a project; thus, the trend is that a re-bid is very unlikely.

Other Agency Involvement

The timing of construction bids for the Nacimiento Water Project will affect primarily the Participants. Indirectly, Monterey County Water Resources Agency would also be affected as we are coordinating construction at Nacimiento Dam with that Agency. Others potentially affected include other public agencies from whom we seek encroachment permits.

Financial Considerations

Bidding the various Nacimiento construction contracts in rapid sequence is expected to yield more favorable, competitive bids. On another level, having all bids in hand prior to sale of bonds is expected to translate into a more favorable interest rate over the 30-year bond period. Further, this approach lends more certainty to projected total Project costs as we move into the opt-out period in public sessions, allowing Participants to forecast cash flow impacts with more certainty.

Results

Opening the Nacimiento Water Project construction bids in rapid sequence is expected to bring improved certainty to the financial planning of the Project Participants, thereby providing more certainty in public discussion during the opt-out period.



Nacimiento Project Commission
October 26, 2006
**Agenda Item VI.b – Memorandum of Understanding
Pertaining to Fiber Optic System**
(Commission Action Item – No Subsequent Board of Supervisor Action)

TO: Nacimiento Project Commission

FROM: John R. Hollenbeck, PE, Nacimiento Project Manager

VIA: Noel King, Director, Department of Public Works

DATE: October 26, 2006

Recommendation

Recommend that the San Luis Obispo County Flood Control & Water Conservation District (Public Works Dept. on behalf of the Nacimiento Water Project) and San Luis Obispo County (Informational Technology Dept.) execute a Memorandum of Understanding (MOU) for a coordinate fiber optic communication system under the following substantially complete terms:

- The communications system capacity dedicated to the County will be restricted to public, non-profit uses.
- No additional cost to the Nacimiento Water Project or Participants will result from the proposed coordinated fiber optic system. In other words, the County will pay the cost increases between the originally-planned fiber optic system and the increased capacity desired by the County.
- A spare conduit will be installed as part of the fiber optic system and the County and the District will each share half the cost of such a spare.
- County would pay for the fiber optic capacity based on the following:

County Portion of Actual Fiber Optic

Construction Cost	Basis of payment
Design Coordination Allowance ²	0.5% of actual fiber optic construction cost
Contract Administration	7% of actual fiber optic construction cost
Administration and Other	10% of actual fiber optic construction cost

- It is understood that easement deed restrictions may apply on Project easements recorded outside of public right-of-way.
- The County of San Luis Obispo will bear a proportional cost of future system maintenance and/or replacement, and will bear the full cost of County upgrades.
- The County of San Luis Obispo communications system will in no way interfere with the Nacimiento Water Project communications or operations.
- The Nacimiento Water Project and the County will cooperate in the right to use each other's spare capacity in the dedicated fiber optic system if needed.

² Represents compensation for Nacimiento designer's coordination with ITD.



- The Nacimiento Water Project may gain access to redundant communications by connecting to the County's network(s).

Discussion

During design approach discussions between the Participants and the Black & Veatch design team, Participants expressed a preference for a fiber optic based Project control system. This means that a dedicated cable will be installed along the pipeline corridor to transmit signals to and from the pump stations, turnouts, and other control points, allowing operators to remotely adjust flow rates, pump selection, etc. This mode of communication was deemed superior to radio-based or telephone-based systems.

The County of San Luis Obispo Information Technology Department (ITD) is responsible for countywide public communications systems, especially those used in support of emergency and other vital public services. The ITD expressed an interest in having a dedicated fiber optic network installed in conjunction with the Nacimiento communications system.

A meeting between the County's Information Technology Department, General Services Department, and Public Works (i.e., Nacimiento Water Project) was held Monday August 21, 2006. The current Project design is for a 24-strand fiber optic communication cable. ITD recommends a 96 strand cable if they participate.

ITD presented incremental installation costs between the two size cables, and estimates the difference is \$270,000 which the County would reimburse to the Project. General Services gave tentative approval for ITD to proceed forward with the upsizing of the fiber optic cable, but recommended that the Nacimiento Water Project designers re-assess the cost of the two cable size options to confirm the incremental cost to the County. ITD also suggested splitting the costs of a designer-proposed second (spare) conduit which would bring the proposed County participation to an estimated \$360,000 (construction costs only). A follow-up design meeting with the Project's designers and the ITD was held on September 14, 2006.

ITD identified three possible loop connections with existing fiber optic lines that they have access to (pending legal outcomes) that could be used to provide redundancy and backup capabilities to both the Project and ITD's communications. It was agreed that an MOU between the County and the District be crafted that outlines the intended use of the Project's fiber optic system by the County. The proposed outline of that MOU is as follows:

- The communications system capacity dedicated to the County will be restricted to public, non-profit uses.
- No additional cost to the Nacimiento Water Project or Participants will result from the proposed coordinated fiber optic system. In other words, the County will pay the cost increases between the originally-planned fiber optic system and the increased capacity desired by the County.
- A spare conduit will be installed as part of the fiber optic system and the County and the District will each bear half the cost of such a spare.

- County would pay for the fiber optic capacity based on the following:

County Portion of Actual Fiber Optic Construction Cost	Basis of payment
Design Coordination Allowance ³	0.5% of actual fiber optic construction cost
Contract Administration	7% of actual fiber optic construction cost
Administration and Other	10% of actual fiber optic construction cost

- It is understood that easement deed restrictions may apply on Project easements recorded outside of public right-of-way.
- The County of San Luis Obispo will bear a proportional cost of future system maintenance and/or replacement, and will bear the full cost of County upgrades.
- The County of San Luis Obispo communications system will in no way interfere with the Nacimiento Water Project communications or operations.
- The Nacimiento Water Project and the County will cooperate in the right to use each other's spare capacity in the dedicated fiber optic system if needed.
- The Nacimiento Water Project may gain access to redundant communications by connecting to the County's network(s).

Additional legal terms and details will be added to the MOU, but the overall memorandum will substantially adhere to this outline. The Nacimiento Project Commission's approval of this outline is sought.

Other Agency Involvement

The Nacimiento Participants, San Luis Obispo County Flood Control & Water Conservation District, and County of San Luis Obispo are involved in the contemplated MOU pertaining to coordinated fiber optic systems.

Financial Considerations

Initial discussions with the Technical Support Group suggest that the County would pay the incremental cost of installing the additional requested fiber capacity. The incremental cost difference would be estimated by the Nacimiento design team, prepared by a California licensed civil engineer.

The County would be billed for the fiber optic system capacity, following the formula stated herein. The County will provide their own source of funding for capital and operations and maintenance costs and will not finance this concurrent work through the Nacimiento Revenue Bond issuance.

In total, the County will contribute an estimated \$423,000 to the project (\$270,000 – additional fiber capacity, \$90,000 – split cost of second conduit, plus \$63,000 – design coordination, contract administration, and other costs).

³ Represents compensation for Nacimiento designer's coordination with ITD.

Results

Coordinated installation and operation of a fiber optic communication system in conjunction with the Nacimiento Water Project would strengthen the County's emergency and vital service communications systems. This enhancement could be provided as part of the Nacimiento construction phase, thereby avoiding a subsequent public disruption were an independent County system installed at another time.

Nacimiento Project Commission

October 26, 2006

Agenda Item VII.a – Award of Construction Management Contract (Commission Action Item – Subsequent Board of Supervisor Action Required)

TO: Nacimiento Project Commission

FROM: John R. Hollenbeck, P.E., Nacimiento Project Manager

VIA: Noel King, Director, Department of Public Works

DATE: October 26, 2006

Recommendation

Recommend to the Board of Supervisors that they award the Nacimiento Water Project construction management services contract to Jacobs Civil Inc. in the amount of \$6.485 million, structured for two notices to proceed. The construction phase notice to proceed would not be issued until after the opt-out phase.

Discussion

Five construction management teams submitted statements of qualifications on August 4, 2006, and a selection panel made up of Participants and County staff invited two firms, HDR and Jacobs Civil Inc. (Jacobs), to submit fee proposals. Both HDR and Jacobs participated in interviews on September 29, 2006, and it was the unanimous recommendation of the panelists to award the construction management contract to Jacobs.

Jacobs' fee proposal is negotiated⁴ within the established line-item budgets approved by your Commission as follows:

	<u>Approved Budget</u>	<u>Jacobs Est. Fee</u>
<u>Design Phase</u>		
Construction Management/Constructability Review	\$2,000,000	\$680,000
<u>Construction Phase</u>		
Construction Management (w/ Material Testing)	\$4,485,000	\$5,253,000
Contingency	<u>\$0</u>	<u>\$552,000</u>
TOTALS =	\$6,485,000	\$6,485,000

In keeping with the Commission's approved procurement process and line-item budget, staff and the selection panel recommends award of the Nacimiento Construction Management contract to Jacobs. With Commission's concurrence, this recommendation will be forwarded to

⁴ Jacobs proposed a 15-percent contingency to account for uncertainties during construction such as overtime, construction delays, and other management services. The Project Manager negotiated the contingency value to a value less than that proposed by Jacobs in keeping with the Construction Management within the Project's line item budget. Any budget augmentation needed at a later date would be brought before the Commission for consideration.



the Board of Supervisors for action at their November 7, 2006, meeting. The Jacobs contract will be structured for two notices to proceed and no construction phase services would be authorized until after the opt-out phase.

Jacobs' services will be coordinated with Black & Veatch's construction phase services. As is typical on most projects, the Project design engineer, Black & Veatch, will hold responsibility for submittal review. Some 650 submittals and shop drawings are anticipated for the 5 construction packages, representing an estimated 3,400 man-hours of effort on the part of the designer. As a further coordination step between Jacobs and Black & Veatch, the designer has been asked to provide on-site field engineering services during the construction period. Two members of the design team will work hand-in-hand with Jacobs' inspectors to resolve field issues, respond to requests for information, and stay in close contact with daily construction issues. A later request for Black & Veatch's construction phase services will be brought to the Commission along with other construction phase budgetary needs. The current budgetary estimate for Black & Veatch's construction phase services totals \$3.2 million.

Other Agency Involvement

Award of the construction management contract to Jacobs would affect Project Participants. They would interact with other agencies, especially those from whom we seek encroachment permits during construction.

Financial Considerations

Jacobs design phase services are well within the line item budget approved by the Commission. The construction manager's *construction phase* services, when considering the recommended level of contingencies and the fee estimate for the designer's construction phase services, are expected to exceed the line item budget. Authorization to proceed with construction phase services would be held until after the opt-out period and will once again come back to the Commission for approval.

Results

Retaining a qualified, experienced construction management team will position the Project for a successful construction phase, contributing to an efficient Project delivery to the public.

Nacimiento Project Commission
October 26, 2006
Agenda Item VII.b – Prequalification of Intake and Specialty Drilling
Contractors

(Commission Action Item – Subsequent Board of Supervisor Action Required)

TO: Nacimiento Project Commission

FROM: John R. Hollenbeck, P.E., Nacimiento Project Manager

VIA: Noel King, Director, Department of Public Works

DATE: October 26, 2006

Recommendation

Recommend that the Board of Supervisors proceed with a prequalification step for both the intake pump station construction and specialty drilling contractors following the Public Contracting Code procedure and other applicable County procurement guidelines.

Discussion

As discussed in Agenda Item V.a, two aspects of Project construction carry a high level of risk in terms of critical underground and underwater work and potential impact on the environment. Our value engineering process earlier this year emphasized the importance of design and geotechnical efforts in support of both the intake pump station work and the planned specialty drilling known as horizontal directional drilling (HDD). The design team, too, has taken special steps to better understand site conditions and carefully structure technical specifications and design drawings in these areas. For example, a Geotechnical Baseline Report is being prepared for the intake pump station to help mitigate the risk factors for the underground work by clearly establishing the engineering parameters the contractor can use in bidding of the work. The continued risk of unforeseen underground conditions does not go away with the creation of the Geotechnical Baseline Report, but instead the report allows the contractor to establish a fair and equitable baseline for this bidding.

Another way to mitigate risk is to establish minimum qualifications of contractors eligible to bid the intake construction. Prequalification would determine ahead of bidding those firms who possess the experience and successful track record to take on underground work of this nature. The benefits of prequalifying intake contractors would be 1) assurance that bids would be received only from established, qualified contractors with favorable references, and; 2) that qualified bidders would be more likely to bid under these terms. The disadvantage of prequalification is that fewer contractors may bid the work and they would have advance knowledge of their competition.

Similar risks are associated with the four HDD river crossings on the Project. These are fairly long, ranging from 800 to 2,700 feet in length and are performed in rather sensitive habitat areas. The ramifications of delayed HDD completion, impact on the riparian habitat, or release of drilling fluids into waterways could be great. For this reason, a similar prequalification step



is recommended for HDD subcontractors. General contractors for the pipeline contracts would be required to use one of the prequalified HDD subcontractors for this critical element of the pipeline work. The benefits and disadvantages to the Project would be similar to prequalification of the intake contractors.

Were we not to prequalify intake or HDD contractors, a licensed but under-qualified construction contractor may indeed submit the low bid, increasing significantly the likelihood of construction problems, increased risk for consequential damages, and increased potential costs for impacts on the environment. Moreover, the underground and underwater work at the intake pump station poses danger to workers associated with confined spaces and it would be prudent to seek contractors who are knowledgeable and experienced in shaft and tunnel construction.

Given the significant risks that accompany construction of the intake pump station and the HDD activities, staff recommends prequalifying contractors for Specification No. 1 and for HDD subcontracts.

Prequalification of construction contractors is allowed under the Public Contracting Code provided that the governing body (in this case, the Board of Supervisors) approves the final qualification list of contractors and also takes other action to comply with the Public Contract Code, Section 20101. That Code section requires the Board to adopt a uniform system of rating bidders, for example, and establish a process that allows prospective bidders to dispute their proposed prequalification rating. Staff has already begun formulating specific Project policy for the intake and HDD effort, and will submit this to the Board of Supervisors at the earliest opportunity.

Black & Veatch will prepare the prequalification request packages in accordance coordination with the Project Manager and the County Purchasing Agent. Once completed, the request for qualifications will be advertised through the County's Purchasing group.

Other Agency Involvement

Prequalification of contractors would impact the Participants and indirectly our interface with regulatory agencies in the course of the intake and HDD construction.

Financial Considerations

The financial impacts of contractor prequalification include additional engineering time to coordinate the prequalification step both with the Board and with potential contractors. Black & Veatch's fee to provide these services has been negotiated at \$40,000 through their design contingency. It could be argued that the bids received for prequalified construction work may be higher than opening the bidding to every contractor; however, the specialty of this work is best performed by a contractor who specializes in this activity, which reduces the risk to the District. The expectation is if we were to receive higher bids from prequalified contractors, those costs would be offset by reduction in management and potential event mitigation costs.

Results

Prequalification of contractors is another step in providing high quality construction services in the delivery of this important public works project.